AGRO-CASHEW PROCESSING FOR ECONOMIC DEVELOPMENT

ENHANCED VALUE TO REVERSE THE LONG-TERM DECLINE IN AFRICA’S COMPETITIVENESS
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ORGANIC FOOD PROCESSING | Gambia
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Executive summary

Every cashew nut that reaches the market goes through a lengthy process of growth, transport, and processing: at each stop along the way, the small seed gains value. According to the African Cashew Initiative, nearly 40% of the global cashew crop is produced by about 2.5 million small farmers in Africa. West Africa is one of the world’s largest producers of cashew nuts. Nonetheless, only around 10% of this production is processed in the region. The vast majority of these farmers live in rural areas and struggle to make as little as € 90 to € 330 per year through the production of cashews (ACi, 2011). The prospects for continued growth in demand for value-added cashew and other products in Africa constitute an incentive for increased attention to agro-industries development within the context of economic growth, food security and poverty-fighting strategies. Agro-industries, here understood as a component of the manufacturing sector where value is added to agricultural raw materials through processing and handling operations, are known to be efficient engines of growth and development. Adding to the problem is the fact that less than 5% of African raw cashew production undergoes further processing in Africa, leaving a tremendous opportunity for poverty reduction and job creation largely untapped.

The creation of Cashew processing agro-industries can contribute to lifting a significant number of African rural dwellers out of poverty through the additional wage-earning employment opportunities created. In terms of an appropriate industrial approach, the high forward and backward linkages that can evolve from manufacturing and agro-processing will contribute to boosting domestic investment, employment and output in the transformation
process. Our company will be situated in Guinea Bissau where processing will be conducted. The Company will be operated by, Caroline Mendy, and Dawda Kaira,

Organics Agro Processing intends with this financial and economical projection the idea will bring new concept in a market and good strategies which will enable the company to acquire a good market position. A yearly production of between 2000 and 3000 M/Tons is estimated in the first year and 5000 M/Ton by the 5th year. We aim to expand beyond this output within five years and look forward to tapping into the processing of other areas of processing such as mangoes. As this is a seasonal product the nuts will be purchased and stored for production year round. We have currently identified three (3) destinations where produce will be source and they are: Guinea Bissau, Cassamance Senegal and Gambia. Production time per annum is estimated to be 240 days. And the project intends to employ 300 staff during peak season.

Total production costs are estimated for the establishment of the factory is one million ($1,000,000) With all variables on point, the factory will start making profits from the first year of the project.

Our target market is Europe, starting off in the Netherlands and the United States of America (USA)

**Introduction**

Cashew is a tropical nut grown in developing countries. It is produced primarily by smallholders. World cashew production and exports have grown rapidly over the last few decades, faster than world agricultural trade and output. The value of world cashew exports, raw and processed, was US $532 million in 1990/91, US $1005 million in 2000/01 and US
$2,436 million in 2007/08. Small-scale processors can only handle about 10,000 tons, which would not meet export quality standards. (UNCTAD).

Raw cashew nuts arrive in processing factories from February and in each country, thousands of farmers, each with an average of 1–3 hectares (ha) of cashew trees, collect a few hundred kilos of raw nuts that have fallen off the trees. These nuts are then bought by small-scale raw nut traders or agents who sell consolidated lots to bigger traders. The average price for 1 MT of raw nuts varies largely during the season and from year to year, depending on world market dynamics (including factors such as international demand and the exchange rate between the U.S. dollar ($) and the currency in which the raw nut is traded), and quality of the nut (including size, kernel output, humidity, and packaging). Prices during the 2007 season ranged from $250–500 per MT at the farm gate. Cashew processing factories are often based within cashew producing zones to reduce transport costs, as the cashew kernel weighs only 20–25% of the raw nut. Thus, 4 to 5 MT of raw nuts are needed to produce 1 MT of cashew kernels. Since processors can source the raw material only during the season (which lasts about 3 months in any particular country), the processor must buy approximately 75% of the anticipated yearly production in advance, resulting in a large need for working capital. Cashew processing facilities vary largely in size. Basically, they can be divided into three categories: cottage processors, semi-industrial processors, and industrial processors.

**Potential**
The world cashew demand is growing strongly in terms of volume and value. Prospects are that world demand for cashew will continue to increase rapidly. Main buyers from US and Europe, but also India, Vietnam and Brazil will have to source from Africa.
Guinea-Bissau

With a population of 1.45 million and a GDP per capita of $900, cashews have a special place in Guinea Bissau: Cashews are the largest agricultural crop, and the raw nuts generate 90% of the country's export revenues. Guinea-Bissau produces approximately 100,000 MT of raw nuts annually, and the quality is the best on the African continent, although the quality of kernels is inconsistent and could be improved. In the last 10 years, several processing initiatives have taken place, both public and private, resulting in three factories with a capacity of 1,000 MT each (although one is not in operation), two with capacities of 500 MT and 250 MT, respectively, and a network of 21 smaller factories with a combined capacity of 780 MT Cashew Processing, Marketing, & Consumption in West annually. Several factors limit expansion of higher value cashew products: low personal income, price competition from traditional markets, inconsistent quality, fragile and unattractive packaging, and a lack of information on their health benefits. Guinea-Bissau is very competitive as a supplier of bulk white kernels to roasters in Senegal and The Gambia.

The Gambia

The Gambia, a small country with a population of 1.6 million and a GDP of $2,000 per capita, produces some raw cashews (< 3,000 MT). In the cashew world, The Gambia is known for being:

1. a port for the export of raw nuts from Guinea-Bissau and Senegal, and
2. a concentrated consumer market for cashew kernels since it is one of the major tourist destinations in West Africa (80,000–100,000 tourists per year, all concentrated in the small coastal region).
The cashew processing sector is very underdeveloped in The Gambia: there is only one semi-industrial processor with a capacity of 5 MT of raw nuts per year. Cashews are widely distributed in The Gambia and are sold in color-printed sachets (150 g) or tins (100 g) for an average price of $26.40/kg in supermarkets. Cashews sell well, however, 75% of supermarkets import their cashews from Europe or Senegal and 50% of supermarkets sell cashews imported from Europe only. Supermarkets indicate that packaging and quality of locally produced cashews must be seriously improved to replace the imported cashews. Cashews sold in market stands originate from local processors and are 20% cheaper than cashews in supermarkets, and volumes sold are higher. However, quality varies widely and few products are sold under a recognized brand, reducing consumer perceptions of quality.

**Business description**

West Africa’s cashew processing sector is quite small given the region’s status as the world’s second largest producer of raw cashew nuts. West Africa produces an estimated 475,000 MT of the world’s production of about 1.6 million MT. Though reliable statistics are not readily available, it is estimated that West Africa processes less than 10% of its production, about 42,000 MT of raw cashew nuts, turning it into approximately 8,400 MT of cashew kernels.

**Is there a Need to be filled by Agro processing?**

The upsurge in GVCs as a vehicle for economic diversification and the basis for resource-based industrial development is timely, given the increased demand for Africa’s natural resources, together with increased urbanization and consumer demand for processed goods within around the world. Europe and the USA regional markets should be a prime target. Though large enterprises in the agro-processing industry contributed a significant share of income
and employment, the relative share of SMEs to the total employment is higher, compared to their share of the total income in the industry. Therefore, SMEs have greater potential of generating jobs in the agro-processing industry. However, agro-processing industry is highly concentrated and dominated by few role players and with the demand for cashew nut gradually increasing, whereas its supply is limited we will need to meet demand. This project so as to say will focuses on increasing cashew processing and create new opportunities for industrial development in rural areas through processing of cashew nuts.

**How the proposed business will fill the need?**

Establishing processing factories will lead to an increase in job creation, a vehicle for economic growth, opportunities etc.

**What is agro-processing?**

According to FAO (1997), “Agro-processing industry is a subset of manufacturing that processes raw materials and intermediate products derived from the agricultural sector. Agro-processing thus means transforming products that originate from agriculture, forestry and fisheries.

**Company**

OrganicS Food Processing is a start-up. The idea was born when the founder felt that she’s had enough of the of complaining and asking why everything was imported and exported for process and thought of doing something about it. The headquarters will be located in Gambia due to the fact that the port will be used to export the processed nuts from Guinea Bissau.
**vision**

To enhance the potential of Africa through Agro business Processing and become the leader in the processing of the best quality nuts in the world.

**Mission**

We are a company that aims to contributes to overall development of our communities through sustainable business activities that provide opportunities for Job creation, enhance the value to raw products and have an economic and social impact at the grassroots.

**Company objective**

The main objective is to ensure sustainable economic, food and nutrition security by through processing in an efficient manner.

**Strategies**

Use the full range of cashew grades

- Increase demand for cashew nuts by marketing and selling more broken kernels—sorted and packaged—in higher value channels.

**Description of the business model**

The company will deliver its products in the first come first served basis. Since nature of business entail quality and safe semi-finished products than enterprises of finished products will certainly find them highly convenient both as a time saver as well as all-seasons products. Quality control and efficient customer service. Despite the presence of competitors, demand can be met. The company is reputed of having competent employees both professionally and aggressiveness to deliver as per vision of the company.
How the business will create a sustainable competitive advantage?

Production cost govern to a large extent pricing strategy but also comparisons have to be made with competitors’ prices so as not to be very different for a product of similar or near similar. Other quality parameters such as health impact, intellectual property etc. will also be considered in the setting.

CURRENT STATUS AND REQUIREMENTS

The location of the production area will be at the Western region in Guinea Bissau and marketing office will be in Banjul. The choice of a production location is strategically due to the place being the major area of Cashew production. Besides being centrally located it allows easy transportation of inputs and raw materials to the industry as well as products to the selling center and consumers due to its proximity to most areas. The location will also tap the availability of labor that has been left redundant by many crop estates and industries that were closed and some are now affected by the world economic recession.

Production process

Description

Site acquisition, registration of business and other start up logistics.

Purchase of equipment

Machineries equipment with the capacity of producing 5000 M/Tons will be procured. Office equipment, a vehicle for administrative purposes and a lorry for the transport of the raw material and furniture will also be procured.
Purchases of production materials

Identification of locations, suppliers of raw materials and other inputs; training on the quality to supply and later purchases to be done

Cashew Nut Processing

Quality processing stages

- Sun drying
- Storage

Quality Control Process

Before Processing

- Moisture test
- Nut Count test
- Nut-Out Turn

Cleaning

Roasting Cooling: The Steps

- Cleaning
- Roasting
- Cooling

Shelling, Drying, Peeling

Hygiene Practices

- Shelling/Cutting
• Drying
• Peeling

Grading and Packing

Grading Specified

• Size
• Shape
• Color
• Count
• Vacuum Packing

MANAGEMENT

ORGANISATION STRUCTURE

Ownership

The business is directed by two managers, two of which will manage the business. We will also hire some that we feel are of importance such as the production manager and the operations staff.

The CEO and Founder Caroline Mendy holds a Graduate Diploma in Management studies from the Institute of Commercial Management UK and a MSc International Business Management from Manchester Metropolitan University in UK. She has experience in Marketing and customer services and will head the marketing department and sales. Caroline is currently attending Rotterdam Business School and taking a 6 months course in Supply Chain
Management and logistics to give us the needed knowledge in the forward and storage and movement from point of origin to the point of consumption.

Dawda Kaira will be the Finance and Admin manager and will head. Dawda is an ACCA affiliate and mans the Finance and Admin department at Pristine. He will head the finance department Admin and human resources issues.

Production Manager: An expert in Cashew production will be hired

Operations staff will be hired and trained as well. In addition to this everyone working at the company will have to have an overall knowledge of the processing factory.

Board of Directors

A Board of Advisor will be selected to advice on matters regarding smooth running of the business based on qualification specific to the organization functions. Advisors will strictly come from the business community and experts in the cashew industry.

Board Member:

- Non-executive director: Muhammed M. Jagana
- Momodou L. Jarju
- Joshua Mendy
- Caroline Mendy
- Dawda Kaira
INDUSTRY ANALYSIS

The cashew industry ranks third in the world production of edible nuts. The cashew nut world production in 2000 was estimated at 2 million tons of nuts – in-shell, with an overall estimated value exceeding USD 2 billion (UNIDO). The major exporters of cashew in the world are India and Brazil with 60% and 31% respectively of the world market share. The major cashew nut importers are the United States (55%), the Netherlands (10%), Germany (17%), Japan (5%) and the UK (5%). Cashew kernels are ranked as either the second or third most expensive nut traded in the US. The retail prices in the US range between USD 9 – 23 per kilogram. With its ideal growing conditions, trade policies that now favoring local processors, and de facto of foreign nuts entering the supply chain, Guinea Bissau and the two neighboring countries are uniquely well-positioned to become the most a competitive global provider of traceable, sustainable, high quality cashew. On-going investments in improved technologies and management practices are making the industry not only more productive and efficient, but also more ethical and transparent. These changes are priming the industry to provide larger quantities of safe, high-quality cashew nuts to millions of cashew consumers globally, as well as raise farmer incomes through increased yields and premium marketing.

SWOT ANALYSIS

STREGHTHS

We are located close to the source of Cashew nuts and also have suppliers lined up in Gambia and Senegal to fill and extras needed. Our team consist management highly experienced in business, we will also leverage our business knowledge for marketing and moving of goods to aggressively sell our products.
WEAKNESSES

Though few of the challenges facing the SMEs are unique for each division, it can be asserted that lack of access to finance, inadequate skills and inaccessible government support are the foremost challenges facing most SMEs across the divisions. Since the potential for generating more employment is higher for SMEs, a policy intervention to alleviate some of these challenges is critical to realise their full potential and lessen the market concentration.

Limited capital to invest in large scale venture. However, because it is the only Portuguese-speaking country in the region and it has a challenging road and transport network (including the port), exporters must overcome numerous constraints to trade in Guinea-Bissau. We currently lack experience in this area. An expert in the field will be hired and Caroline Mendy will be trained as well in quality control.

OPPORTUNITIES

We will take advantage of consumers need for fresh, nutritional healthy and sustainable products. As a result, we will seek to harness these opportunities and:

- Establishment of new cashew nut processing and packaging factories.
- Increase and improve cashew nut processing capacity (quantity & quality)
- Work with farmers for establishment of new cashew nut orchards in high potential regions and processing cashew-apples
- Purchase of raw cashew from small-scale farmers for processing and export.
- Encourage the Manufacture and distribution of small-scale mobile cashew processing machines in the region
• Provision of extension and advisory services to small scale, cashew nut farmers’
groups and estate farmers in the cashew nut sector.

• Improvement in quality of cashew nut seedlings.

• Pest and insect control on cashew nuts

• Establish and strengthen Cashewnut Farmers Association

**THREATS**

Emerging large scale investors with similar project. Weather calamities such as drought that
may hamper production. Inconsistent supply of raw materials due to seasonality. Cost of
transportation. Governmental regulations etc.

*Competitors analysis*

A few medium to large scale industrial processing plants in Guinea Bissau that are currently
operational.

*Weaknesses*

The product is seasonal. And we will face competition from India companies that have a vast
amount of working capital. We will have to source the nuts to last us through the year to avoid
the factory being at a start still.
MARKET size and Trends

MARKETING PLAN

Market Summary
Organics Agro Processing will possess good information about the market and known a great deal about the common attributes of our customer. This information will be leveraged to better understand who to served, how to serve them, when and where to serve them. what their specific needs are and how we will better communicate and serve them.

There is a lot of scope for improved efficiency in management and accounting in cashew nut processing from the extraction phase till the utilization of manpower and machineries and the purchase of raw materials.

Cashew nut Marketing
The global demand increases with 9% per year and Africa, which produces 43% of cashew nuts, is the only region that can supply this. This makes the cashew nut in Africa, especially the one from Guinea Bissau highly demanded and good marketable. Cashew nut is also easy to market due to its high quality and value. Research shows that Guinea Bissau produces one of the best cashew nuts in the world, which is mainly exported to India. However, as India does not have enough cashew nuts for the domestic market, it has to import from Africa.
Marketing strategy

The initial focus will be locally where small scale and medium cashew processing industries are located. Due to capacity of the industry at the moment, our target consumers will be Europe and the United states of America. We will use the Africa Cashew initiative membership to gain information about prospects, we will also source our own target buyers, IDH, Kraft Foods Group, companies associated with Fair Trade. We hope to collaborate with companies such as Olam the biggest nuts buyer in Holland as well.

Channel Distribution

Organics Agro Processing will have clear and measurable goals regarding service levels in physical distribution. In so doing there must be a clear distribution strategy for products to reach the target consumers, in this respect the clear distribution channel must be in place.

Exporting cashew kernels requires volume. The international market buys predominantly full container loads of cashew kernels, packaged in 50-pound boxes. Filling one container of 20-foot (6.1m) necessitates loading 15+ MT of processed cashew kernels (approximately 700 boxes). Fifteen MT of cashew kernels means processing 75 MT of raw cashew nuts, since the kernels make up about 20% of the raw nut on average. Thus, in order for a processor to consistently sell cashew kernels throughout the year, significant capacity is needed. For example, a capacity of 1,000 MT is the minimum needed for a processor to fill just one container per month. Additionally, all processed cashews often cannot be sold in one container, as cashew kernels are sold in 26 different grades, and buyers prefer to have as few different grades as possible per container. With relatively limited volume, it is difficult for a processor to sell all 26 grades internationally while also fulfilling buyers’ conditions to include a limited number of grades per container. At this point, a local market for some of the grades
is crucial for the processor to achieve profitability. And for smaller scale processors, who cannot export in bulk, the local market is their only sales outlet.

**Customer Services**

Organics Agro Processing will understand the decisions involve delivery frequency, speed and consistency transportation and shipping to policies, whether to accept small customer orders; warehousing coordinating assortments; and so on. Poor performance in these areas may result in lost customers.

**Social responsibility.**

Organics Agro Processing will consider the impact of company's action and operating in a way that balances short term economic profit needs with environmental needs and long-term needs.

**Environmental Pollution**

Organics Agro Processing, will make sure that dangerous pollutants need to be eliminated from the environment and safe substitutes found.

**Child labor**

Organics Agro Processing, we will make sure there is no possibility of child labor.

**Marketing**

Organics Agro Processing, as a company which deal with products fall under the umbrella of the Marketing Mix (product, price, place and promotion) which describes the strategic position of a product in the market place. We will have clear pricing strategies, promotion
strategies and placing or distribution strategies. As an enterprise we must be able to market what we produce and produce what we can market.

**Consumerism**

As manufacturer we agree that customer has right to be informed and protected against fraudulent, deceitful, and misleading statements, advertisement, labels.

**Consumer safety**

As product manufacturer we will make sure that, consumer are protected against dangerous and unsafe product.

**Consumer information and education**

As product manufacturer we are aware that, consumer have right to be informed includes protection against fraudulent deceitful, or grossly misleading information advertising, labeling, pricing, packaging or other practices.

**FINANCIAL PLAN**

**CRITICAL RISK FACTORS**

**Financial Risks**

Inflation may cause increased production costs against the estimates, the management has estimated contingency to curb this risk. Hiked taxes may hamper sales/profits but care has been taken in production and sales estimates to an average figure while it is known that an increased percentage may offset the unforeseen risks; and campaigners (competitors) may downgrade the product for their benefits. This last risk will be taken aboard by training consumers and they will in the end differentiate the qualities.
Operating risks

These are risks caused by weather changes which might impact our company. Our business is mostly affected by weather changes. The company will overcome the risk by making sure that we have enough reserve to be used for a long time.

Marketing risks

The industry is characterized with high competition which increases the risk of price war. To overcome the risk, the company will use the differentiation strategy by delivery the highest possible quality and pair this with excellent customer service. Knowing this Organics Food Processing will make sure we maintain our product quality so that we can retain our customers.

Quality Control and Quality Assurance

ISO 22000:2005 specifies requirements for a food safety management system where an organization in the food chain needs to demonstrate its ability to control food safety hazards in order to ensure that food is safe at the time of human consumption. The processing units will follow the Food Safety and Standards ISO for all edible food products. It prescribes minimum standards operating procedures, food safety norms, packaging & labelling norms.

Implementation Schedule

The time for implementation of project is an important factor to decide the viability of a project. A cashew processing unit is simple to construct. However, keeping in view preliminary activities and processes involved in getting the processing equipment to the Location etc. an implementation period of 7 months to 1 year has been considered. The estimated time period required for each activity is given in the table below.
Implementation schedule for cashew processing unit.

Length of Activity in month (months, year)

- Feasibility Study
- Detailed Project Report (DPR) preparation
- Preliminary activities
- Construction period (Civil work and placement of orders for plant and machinery)
- Installation of plant and machinery and trial run

Financial Forecasts

The business requires a total investment of 800,000 – 1,000,000. The estimated sales will be 2,000,000 and hence the project is expected to start realizing profit in year one.

Financing Needs in the Cashew Nut Industry

- Establishing of new cashew nut processing facilities (buildings, processing equipment and transport) for the domestic and export markets
- Training in areas of diseases monitoring, control and prevention through the use of herbicides and pesticides.
- Establishment of storage and transportation facilities for the cashew nut products
- Purchase of proper packaging materials (containers and plastic bags)

Construction of storage facilities, packaging and equipment
Conclusion
The cashew processing will have a huge impact in the communities it is located at. Creating jobs and providing the rural communities with opportunities. It is time Africa moves away from aid and start utilising the many opportunities on its soil. We hope you will join us in helping Africa Enhance its potential one Agro-processing business at a time. Thank you for this opportunity and we hope to hear from you.